

1 of 1 DOCUMENT

Moscow Times

December 12, 2005

Lisin Adds \$ 609M to His Metals Fortune

BYLINE: Yuriy Humber

SECTION: No. 3314

LENGTH: 1038 words

Staff Writer

Russia's second-richest man, Vladimir Lisin, is to add more than half a billion dollars to his fortune this week when part of his metals giant, Novolipetsk, lists on the London Stock Exchange. The listing values the steelmaker, which Lisin acquired through a series of deals over the past decade, at around \$ 8.7 billion.

Lisin is selling 7 percent of his 90 percent stake in the listing on the London Stock Exchange, where shares start trading Thursday, giving him roughly \$ 609 million based on the share price set by bankers this past Friday.

"The company has come of age. It has more weight now," said Alexander Pukhayev, an analyst with UFG brokerage.

Lisin, who has overseen the rise of Novolipetsk to become the world's seventh -most profitable steelmaker, was upbeat on the London Stock Exchange foray. "I am delighted that Novolipetsk's secondary offering has attracted such strong interest from international institutional investors," Lisin said in a statement.

Considering the history of the plant, which is as heavy as the industry it operates in, Lisin's delight has much justification.

Born in 1956 in Ivanovo, Lisin started out in the metals industry as a welder while studying engineering at the Siberian Metallurgical Institute.

Not long after graduating, he moved to Kazakhstan to work as an engineer at the Karaganda Steel

Plant, according to the Novolipetsk web site.

It was there he would start to accumulate his fortune.

Within a couple of years he had been offered a senior post at Karaganda, reporting to Oleg Soskovets, who would later become the Soviet Union's last metals minister and then deputy prime minister under President Boris Yeltsin.

It was around that time that Lisin made his first money as a director of TSK -Steel, a subsidiary of Karaganda that Soskovets helped set up, Lisin told Forbes in November 2004, speaking in a rare interview.

TSK-Steel used a loophole in Soviet law that allowed private firms to export defect metal -- a business that before long had an annual turnover of \$ 25 million.

Not long after Soskovets left for the Kremlin, Lisin started working for Sam Kislin, a Russian emigre, and it was through this link that Lisin would eventually come to start buying up stock in Novolipetsk.

Kislin was one of the main players behind Trans Commodities, which supplied Soviet metal plants with raw materials.

Kislin's business had hit a snag when the plants stopped paying, but his new acquaintance "pulled the money out," Lisin told Forbes, saying he used his contacts to recoup around \$ 30 million.

After that, business boomed at Trans Commodities, as Lisin spearheaded the use of tolling -- receiving ready metal from factories in return for raw materials and a small fee.

For the better part of a decade, starting in the 1990s, Russia's burgeoning metals business changed hands as fast as it made headlines through contract killings and money laundering.

Kislin left Trans Commodities in 1992, leaving the business in the hands of his original partner, Mikhail

Lisin Adds \$ 609M to His Metals Fortune Moscow Times December 12, 2005

Chyorny, who soon joined forces with younger brother Lev Chyorny and investors David and Simon Ruebens to form a new company, TransWorld Group.

TransWorld, where Lisin was taken on as a manager, was also a booming business, yielding a profit margin of up to 40 percent in 1994 when metals were selling for \$ 1,500 per ton, Simon Rubens told Fortune magazine in 2000.

By 1995, TransWorld accounted for 5 percent of the world's aluminum production, generating annual revenues of nearly \$ 7 billion.

It was during his time at TransWorld that Lisin found himself serving on the board of five metals plants, including Novolipetsk.

As TransWorld's fortunes took a turn for the worse, Lisin started buying up shares, building up a 13 percent stake by 1996, according to Forbes.

Lisin left TransWorld in 1997, putting his Irish-registered Worlslade Trading form to work by buying up more shares in the company.

Dmitry Beliakov / BloombergThe London listing cuts Lisin's stake in Novolipetsk to just over 80 percent. That same year, then-Interior Minister Anatoly Kulikov said that Mikhail and Lev Chyorny had strong ties to Russian organized crime.

Before long, Lisin had purchased a further 50 percent stake from American financier George Soros and Monaco-based financiers Richard and Christopher Chandler for \$ 200 million, Forbes reported.

The remaining 34 percent stake, however, eluded Lisin for some time, as its owners -- the Chyorny and Rubens brothers -- sold out to holding company Interros, owned by metals magnate Vladimir Potanin.

By 2002, Lisin and Potanin had struck a deal to swap assets, with Potanin yielding his stake in Novolipetsk for an 8 percent stake Lisin had bought in Potanin's Norilsk Nickel.

While the terms of that swap were not disclosed, analysts believe Lisin did well out of the deal, with his 8 percent in Norilsk worth roughly half the 34 percent stake he received in Novolipetsk.

As Novolipetsk becomes the most recent Russian company to list in London, the scars of past

corporate wars leave some uncertainty.

The prospectus for the London share emission includes 26 pages of risks, ranging from investigations into price-fixing to potential conflicts of interest.

"There's been a lot of confusion over what is owned by Novolipetsk and what is owned by the owner of the steel company," said Timothy McCutcheon, analyst with Aton brokerage.

"History shows he is a pretty powerful person in the industry and he knows what's going on. TransWorld had a less-than-perfect reputation. But clearly, Lisin has grown out of that," he said.

In an interview with the Financial Times published Friday, Lisin said he now wanted to make Novolipetsk "a truly global company," rejecting talk that the offering suggested he lacked faith in Russia as a place to do business.

He said observers of Russia were "scaring people away" with stories that the business environment was getting worse. "Russia is a good place to invest in and make money," he said.

Novolipetsk made a net profit of \$ 1.8 billion on sales of around \$ 4.5 billion last year, according to its web site.

CITY: MOSCOW, RUSSIA (78%);

COMPANY: LONDON STOCK EXCHANGE PLC (63%); TRANSWORLD GROUP (76%);

ORGANIZATION: TRANSWORLD GROUP (76%);

TICKER: LSE (LSE) (63%);

GEOGRAPHIC: RUSSIAN FEDERATION (93%); KAZAKHSTAN (79%); MOSCOW, RUSSIA (78%);

COUNTRY: RUSSIAN FEDERATION (93%); KAZAKHSTAN (79%);

SUBJECT: STOCK EXCHANGES (91%); WEALTHY PEOPLE (90%); IRON & STEEL INDUSTRY (89%); IRON & STEEL MILLS (89%); MANUFACTURING FACILITIES (87%); INTERVIEWS (78%); PRIVATELY HELD COMPANIES (77%); EXTRACTIVE

Lisin Adds \$ 609M to His Metals Fortune Moscow Times December 12, 2005

METALLURGY (77%); STOCK
PRICES (77%); EXPORT TRADE (75%); STOCK
OFFERINGS (72%); SECURITIES
TRADING (72%); FOREIGN
INVESTMENT (72%); PRIME MINISTERS (50%);

LOAD-DATE: December 11, 2005

LANGUAGE: ENGLISH

PUB-TYPE: PAPER

PERSON: VLADIMIR LISIN (92%);

Copyright 2005 Independent Press